

MONTANA LEGISLATIVE AUDIT DIVISION

FINANCIAL-COMPLIANCE AUDIT

Department of Labor and Industry

For the Two Fiscal Years Ended June 30, 2009

NOVEMBER 2009

09-15

REPORT SUMMARY

The Department of Labor & Industry received American Recovery & Reinvestment Act funds during fiscal year 2008-09 in support of its Unemployment Insurance (UI) Program. UI benefits during fiscal year 2008-09 exceeded \$234 million, a 259 percent increase over the prior year.

Context

The department operates as part of a national employment, unemployment insurance, and training system. In addition, it is charged with enforcing labor laws and providing services to industry, including professional and occupational licensing.

The department classifies its expenditure activity in seven expenditure programs. The two largest of these are the Unemployment Insurance Division and Workforce Services Division. These two divisions employ just over 56 percent of the department's full-time equivalent employees and accounted for almost 89 percent of the department's fiscal year 2008-09 expenditures.

The department experienced significant increases in UI claims activity beginning in fiscal year 2007-08 and continuing through fiscal year 2008-09.

Not only does the department have a presence in Montana communities through the unemployment benefits it distributes, but also through its workforce centers.

Results

One of the report sections related to UI concerns a federally mandated function that includes review of UI claims decisions for compliance with state and federal law. At the end of January 2009, department management redirected all employees from this function to assist with processing UI claims activity,

which increased the risk of undetected errors in UI claims processed during the remainder of the year.

Two report sections discuss internal control issues related to personal services, travel, and procurement. Department employees did not follow established control procedures, which resulted in the department erroneously charging expenditures to various state and federal programs. Because department employees were not following established procedures, there is a high risk that there are more errors than those we identified. These issues affect all of the department's programs and funding sources. We believe the costs erroneously charged to federal assistance programs exceeded \$10,000.

Expenditures erroneously charged to federal programs are at risk of being denied for federal reimbursement. The federal government has been informed of these charges and may request reimbursement from the department.

Recommendation Concurrence	
Concur	9
Partially Concur	1
Do Not Concur	0
Source: Agency audit response included in final report.	

For a complete copy of the report or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the website at <http://leg.mt.gov/audit>.
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Department of Labor & Industry

Rep. Beck
Sen. Olson
Sen. Butrey
Rep. Edmunds
Rep. McChesney
Sen. Wanzelried

Comments

FTE

FY 2012 FY 2013

01 Work Force Services

Present Law Adjustments

A-277	PL 0101 WSD Indirect Rate Adjustment	01000 General Fund	\$20,960	\$20,664					
		02000 State/Other Special Rev. Funds	\$209,313	\$206,428					
		03000 Federal Spec. Rev. Funds	\$423,978	\$418,643					
		TOTAL	654,251	645,735					
A-277	PL 0102 Incumbent Worker Program	02000 State/Other Special Rev. Funds	\$560,980	\$560,980					
A-278	PL 0105 Displaced Homemaker Increase	02000 State/Other Special Rev. Funds	\$37,000	\$37,000					
A-278	PL 0106 Motor Pool Reduction	02000 State/Other Special Rev. Funds	(\$2,228)	(\$2,228)					
		03000 Federal Spec. Rev. Funds	(\$5,201)	(\$5,201)					
		TOTAL	(\$7,429)	(\$7,429)					

New Proposals

A-278	NP 0107 Increased Federal Grant TAA	03000 Federal Spec. Rev. Funds	\$735,000	\$735,000					
A-272	NP 95101 5% Plan - Unspecified State Special Rev Reduction	02000 State/Other Special Rev. Funds	(\$1,094,968)	#####					
A-278	NP 55400 4% Personal Services Reduction	01000 General Fund	(\$78,558)	(\$78,558)	(0.88)				
A-272	NP 95102 5% Plan - Comm. Coll. Student Growth reduction (21st Century WorkForce)	01000 General Fund	(\$78,910)	(\$78,910)					
A-272	NP 95103 5% Plan - Travel and Supplies Reduction	01000 General Fund	(\$1,915)	(\$1,915)					

02 Unemployment Insurance

Present Law Adjustments

A-282	PL 0201 UI Indirect Rate Adjustment	02000 State/Other Special Rev. Funds	\$20,677	\$19,037					
		03000 Federal Spec. Rev. Funds	\$85,481	\$83,239					
		TOTAL	106,158	102,276					
A-282	PL 0202 UI Operating Increase	02000 State/Other Special Rev. Funds	\$42,610	\$41,181					
		03000 Federal Spec. Rev. Funds	(\$103,968)	(\$102,539)					
		TOTAL	(61,358)	(61,358)					

New Proposals

A-283	NP 0203 UI Modernization -3 FTE	03000 Federal Spec. Rev. Funds	\$186,490	\$185,951	3.00				
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03 Commissioner's Office/CSD

Present Law Adjustments

A-287	PL 0301 CSD Indirect Rate Adjustment	01000 General Fund	\$6,385	\$6,361					
		02000 State/Other Special Rev. Funds	\$24,173	\$24,100					
		03000 Federal Spec. Rev. Funds	\$13,012	\$12,956					
		06000 Proprietary Funds	\$253	\$249					
		TOTAL	43,823	43,666					

Proprietary Rates

